

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
2005 Legislative Year**

Status as of October 11, 2005

D - Vetoed Bills

Bill Number Version	Author	Summary	Board Position	Status
AB 76	Frommer	Office of Pharmaceutical Purchasing		10/07/2005- Vetoed by the Governor
V-10/07/2005		Establishes the Office of Pharmaceutical Purchasing within the California Health and Human Services Agency. Authorizes the office to negotiate and purchase prescription drugs for specified state agencies and the California State University. Requires that the office, by January 10, 2007, and annually thereafter, report to the Legislature the the activities that have been, or will be, undertaken pursuant to this bill.		

Governor's Veto Message:

I am returning Assembly Bill 76 without my signature. AB 76 would create the Office of Pharmaceutical Purchasing (OPP) within the California Health and Human Services Agency. This bill takes a process currently performed by the Department of General Services (DGS), which has the general charge of purchasing goods and services for State agencies, and moves it to a newly created program, the OPP, in the Health and Human Services Agency, which does not currently have any purchasing functions, capacity or resources. As the Legislative Analyst's Office (LAO) concluded in a recent report ("Lowering the State's Costs for Prescription Drugs," February 2005), the creation of a new state drug purchasing office could be costly, create organizational difficulties, and provide little strategic advantage to the State over the current arrangement in which procurement duties are already largely concentrated. Many of the concepts in this legislation are a part of DGS's strategic purchasing initiatives and can be accomplished administratively without creating a costly and inefficient new bureaucracy. Accordingly, I am directing the Department of General Services to investigate and implement options and strategies to achieve the greatest savings possible on prescription drugs and undertake the following activities to the extent they are feasible and would help control prescription drug costs: Identify opportunities for DGS, University of California, and California Public Employees Retirement System to coordinate procurement information, consolidate drug procurement or engage in other joint activities that will result in cost savings. Pursue opportunities for the State and other eligible entities to achieve savings through the appropriate use of generic drugs and through the federal 340B program. These activities, in combination with the efforts DGS has already undertaken, will help control the state's rising prescription drug costs without creating a costly and unnecessary new bureaucratic entity.

Sincerely, Arnold Schwarzenegger

Bill Number Version	Author	Summary	Board Position	Status
AB 78	Pavley	PBM Disclosure Requirements	Support	09/29/2005- Vetoed by Governor
V-09/29/2005		Requires a pharmaceutical benefit manager (PBM) to disclose to purchasers specified information regarding its rebate arrangements and administrative fees. Also establishes requirements with regard to pharmacy benefits management contracts.		

Governor's Veto Message:

I am returning Assembly Bill (AB) 78 without my signature. This bill would require pharmacy benefit managers (PBMs) to provide their clients access to detailed information about rebates and other revenue that the pharmacy benefit manager receives from pharmaceutical manufacturers, brokers, consultants or other intermediaries. This measure is a variation on AB 1960 from 2004 which I vetoed. Although different in details, the main point of AB 78, as with AB 1960, is to compel PBMs to reveal their internal financial arrangements to their clients and potential clients. I vetoed AB 1960 because I believed then that it would have the unintended consequence of increasing drug costs to health plans and other purchasers without providing any real consumer benefit. I have seen no new information to cause me to change that opinion.

Sincerely, Arnold Schwarzenegger

AB 310	Umberg	Investment Plans: Mandatory Defined Contribution Plans		09/29/2005- Vetoed by Governor
V-09/29/2005		Imposes specified requirements on mandatory defined contribution plans established for state and local government employees and for the investment providers performing services for such plans.		

Governor's Veto Message:

I am returning Assembly Bill 310 without my signature. If a mandatory defined contribution plan is established for state and local government employees, I believe that the qualifications and standards for its investment providers is an extremely important consideration. Absent such a plan, this bill is unnecessary.

Sincerely, Arnold Schwarzenegger

Bill Number Version	Author	Summary	Board Position	Status
AB 1698	Nunez	Dependent Health Care Coverage	Neutral	10/08/2005- Vetoed by the Governor
V-10/08/2005		Prohibits health plans and insurers from limiting dependent children's health coverage prior to the dependent's 26th birthday. An employee or annuitant participating in PEMHCA may elect to provide coverage of dependents who are between the ages of 23 and 26 by contributing the premium for that coverage. This applies to any contract subject to collective bargaining that is issued, amended or renewed after January 1, 2006.		

Governor's Veto Message:

To the Members of the California State Assembly: I am returning Assembly Bill 1698 without my signature. AB 1698 would require health care service plans to continue coverage of dependent children until the dependent's 26th birthday. The bill also provides that employers covered through the Public Employees Retirement System (PERS) and the University of California (UC) are not required to pay the cost of dependent coverage for dependents between the ages of 22 and 26. I believe in providing access to affordable health insurance, however, mandating employers such as school districts and small businesses to include coverage for dependents up to the age of 26, when current dependent coverage is typically to age 19 or 24 if the dependent is in college, will impose additional costs on employers at a time when many are struggling to afford the rising costs of health care. Moreover, health insurance premiums overall may rise as the individuals most likely to elect to continue dependent coverage will be those individuals with preexisting conditions. While I appreciate the desire of the author to make available dependent health care coverage for young adults under 26, I am concerned that this bill would have the unintended consequence of actually reducing the number of employers taking advantage of dependent health care coverage. As a result, there may be fewer persons with health insurance - not more, as contemplated by this bill. For these reasons, I am unable to sign this measure.

Sincerely, Arnold Schwarzenegger

SB 917	Speier	Disclosure of Hospital Charges	Support if Amended	10/06/2005- Vetoed by Governor
V-10/06/2005		The existing Payers' Bill of Rights authorizes OSHPD to compile a list of the 10 most common Medicare diagnostic related groups (DRGs), the average charge for each of these DRGs per hospital, and to publish this information on its Web site. This bill increases the list to the 25 most common Medicare DRGs. The bill also requires OSHPD to use Medicare All Patient Refined (APR)-DRGs for all hospitals, except those with fewer than 10% Medicare admissions in the previous year.		

Governor's Veto Message:

I am returning Senate Bill 917 without my signature. I support this bill's intent to provide consumers with additional information regarding what hospitals charge for common medical procedures than what was required by Assembly Bill 1627 (Chapter 582, Statutes of 2003). However, this bill is unnecessary. Since Senate Bill 917 was introduced the Office of Statewide Health Planning and Development (OSHPD) has posted the 25 most common Diagnosis Related Groups for California's hospitals on its website. In addition, I have signed Assembly Bill 1045, which expands OSHPD's current practice to include outpatient procedures and makes additional information available to consumers beyond what would be required under Senate Bill 917. Assembly Bill 1045 will allow consumers access to inpatient and outpatient charge information to make more informed decisions when seeking hospital care. For these reasons I am unable to sign this bill.

Sincerely, Arnold Schwarzenegger